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INQUIRY

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Institutionalization of Impact Investing through Societal Management Pressures: An Action Research Inquiry¹

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Abstract

Impact investments are emerging as a new asset class of social finance. These investments intend to create positive societal impact beyond a financial return through the development of social enterprises. Scholars have highlighted the conflicting institutional logics that these later hybrid organizations must face when combining social welfare and profitability. Yet we lack in-depth, systemic insight into how impact investing funds are responding to similar pressures and specifically to the pressure to conform to societal performance management. This paper builds on a three year action-research program conducted with Schneider Electric, a multinational enterprise specialized in energy management. The company initiated and sponsored an impact investing fund targeting energy access ventures in Sub-Saharan Africa, alongside four Development Finance Institutions. The article is grounded in neo-institutional and resource dependence theories to analyze the perceptions of the fund's managers' regarding emerging societal performance management procedures they were urged to adopt. The findings suggest a pattern of responses from the fund's managers starting with passive conformity to external pressures and eventually turning to more resistive compromise with their own investors through inter-organizational arrangements. The paper further asserts the establishment of impact investing as an institution in the making with potentially conflicting but not incompatible logics.

Keywords: Impact Investing, base of the pyramid, institutional theory, resource dependence theory, action-research, case study

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1. INTRODUCTION

Over the past decade, a new asset class of social finance has emerged. A recent study on 125 impact investing funds revealed a cumulative commitment of USD 46 billion of direct investments mostly in companies (78%) active in emerging markets (70%) (Saltuk, El Idrissi, Bouri, Mudaliar, & Schiff, 2014). Investments in social enterprises active in microfinance and financial services, energy, housing, food and agriculture, healthcare or education aim at tackling societal needs of low-income populations also referred to as the Base of the Pyramid (BoP). Impact investments are promised to exponentially grow over the next decade, reaching at least USD 400 billion available for impact-oriented ventures (O'Donohoe, Leijonhufvud, Saltuk, Bugg-Levine, & Brandenburg, 2010). This constitutes a promising opportunity for both social enterprises that are currently undercapitalized and policy makers aiming to boost their social and environmental sustainability commitments through economic development (Mendell & Barbosa, 2013).

As a nascent industry, impact investing has not yet attracted much scholar study. A first common definition describes their investments as intended to create positive social and/or environmental impact beyond financial return (Höchstädter & Scheck, 2014). Similar to social enterprises or microfinance organizations in which they invest, impact investing funds can be described as “hybrid” organizations (Battilana & Dorado, 2010; Smith, Gonin, & Besharov, 2013). In that sense, they need to combine two potentially conflicting logics, namely a social welfare and a commercial logic (Jay, 2013). To remain legitimate, impact investing funds are urged by their stakeholders at large to manage and report societal performance alongside traditional financial one. While no standards exist per se, impact investing funds evolve in an institutional change – or an institution in the making – in which values, beliefs, practices and rules are still structuring (Greenwood, Suddaby, & Hinings, 2002). Examining the practical engagement of the impact investing industry has not been systematically carried out. Therefore, the paper aims at understanding how an impact investing fund is responding to this double pressure and more specifically to the pressure to conform to societal performance management.

The paper is built on the in-depth case study (Eisenhardt & Graebner, 2007; Yin, 2009) of Energy Access Ventures Fund (EAVF), an impact investing fund aggregating total assets of € 54.5 million and targeting energy access ventures in Sub-Saharan Africa. The case is grounded in an action-research partnership (Rapoport, 1970) initiated in late 2011 with Schneider Electric. The company is a global leader in energy management that actually launched and sponsored the project in the context of its access to energy program targeting the Base of the Pyramid. This case study analyzes the design of the fund and the negotiations that took place between the fund's managers and its investors, namely its

corporate sponsor and four Development Finance Institutions (DFIs), until the date of its closing in early 2015. While the fund's managers attracted the DFIs based on common beliefs and aspirations in impact investing, the latter enforced them to consider numerous requirements prior their investment in EAVF. Constraints such as a minimum internal rate of return, a limited share of organizational and management fees or a high level of expectation to monitor societal benefits of each investment appeared potentially conflicting to the fund's managers. The purpose of this article is therefore to examine the managerial perceptions of an emerging societal management system that the fund's managers were urged to adopt. In order to study the fund's strategic responses to these pressures we ground the case in neo-institutional and resource dependence theories, as initiated by (Oliver, 1991). Institutional theory has been well mobilized to study hybrid organizations such as social enterprises (Pache & Santos, 2010, 2013), microfinance organizations (Battilana & Dorado, 2010), and Social Responsible Investments (Arjalies, 2013). Early writings in institutional theory mostly predicted isomorphism and conformity to dominant norms (Meyer & Rowan, 1977). However, recent writings emphasize that factors such as agency, choice, proactiveness and self-interest can lead to a variety of more resistive responses (Jamali, 2010; Oliver, 1991; Tan & Wang, 2011).

In our case study, EAVF did not enact isomorphism per se as no explicit societal performance management standards were either shared within the impact investing industry or agreed between the fund's investors, namely the Development Finance Institutions. The findings rather suggest that acquiescence to comply with such practices appeared first to EAVF as a natural strategic response to conform to their own beliefs and values, and their investors' expectations. In a second phase, EAVF searched for compromise when they faced the operational complexity of the procedure that could hinder both the business development activities of the portfolio companies and the overall monitoring of EAVF's investments. The requirements of the DFIs to enrich the newly created Societal Management Procedure led to inter-organizational arrangements and negotiations. EAVF managers acknowledged their resource dependence towards the DFIs that somehow limited their bargaining power while they recognize that such procedure could grant them legitimacy towards external rating and certifying bodies. Beyond solely compliance or isomorphism to societal management pressures, the research findings reveal a potential risk for EAVF managers to avoid the DFIs requirements once they will pragmatically face the operational constraints of investing in social enterprises. The risk in such decoupling would be to impregnate the fund with a "social identity" in response to institutional pressures from its investors and its stakeholders at large and thus to lose legitimacy. The findings suggest that the inter-organizational arrangements through periodic discussions and renegotiations of the DFIs' requirements would continue

during the fund's life-time, limiting the risk to create a "legitimacy façade". Finally, the research findings reassert a potential conflict – or a delicate balance – between profit and societal value creation objectives for the investment managers. The fund's managers recognize that they embed two logics that are potentially conflicting although not incompatible. Compatibility would be managed through the negotiated Societal Management Procedure that consists in novel form of practices integrated within the overall investment procedure of the fund. As such, the paper further asserts the establishment of impact investing as an institution in the making provided that its practices are sufficiently diffused in the interconnected community of its practitioners.

The remaining of the paper is structured as follows. Section 2 provides a brief overview of impact investing and societal performance management and then presents relevant institutional and resource dependence theories that were used to guide the empirical part of the paper based on the framework of Oliver (1991). Section 3 explains the research context as well as the grounding of the paper in Action Research and the case study methodology. Section 4 derives the theoretical framework on the strategic responses from an impact investing fund to institutional pressures. Section 5 discusses the findings. Finally, Section 6 concludes this paper and suggests future research.

2. LITERATURE OVERVIEW

2.1. Social innovation, impact investing and societal performance

Social innovation and social finance

The "social innovation" concept has recently regained corporate interest. Westley and Antadze (2010, p. 2) defined social innovation as being "a complex process of introducing new products, processes or programs that profoundly change the basic routines, resource and authority flows, or beliefs of the social system in which innovation occurs. Such successful social innovations have durability and broad impact". Social innovation encompasses terms such as "social enterprise," "social entrepreneurship," and "social finance". We are witnessing the emergence of organizations that adopt commercial ventures to achieve societal objectives such as poverty alleviation, health and education provision or climate change resilience. Relatively new actors such as social enterprises (Dacin, Dacin, & Tracey, 2011; Mair & Marti, 2006; Seelos & Mair, 2005) and microfinance organizations (Battilana & Dorado, 2010; Bédécarrats, 2013) have taken the lion's share among academia. In the meantime, multinational enterprises pursuing their corporate responsibility have embraced the possibility to find growth or strategic opportunities while contributing to poverty alleviation (André, 2014) through "Base of the Pyramid" (BoP) strategies (Prahalad &

Fruehauf, 2004) or social business ventures (Yunus, 2008). Despite the diversity of these ventures, adopting practices from both for-profit and not-for-profit sectors, they all require financial resources to start-up, grow, and go to scale. However, small and medium-sized entrepreneurs in developing countries' economies have little access to finance and fall in the "Missing Middle" (Kauffmann, 2005). They find their main sources of capital in their retained earnings and informal savings which are often not secured and have little scope for risk-sharing. Their access to formal finance is poor as they rarely meet conditions set by formal financial institutions and are also, generally, too large for microfinance organizations.

A new class of social finance actors has emerged to answer the specific needs of ventures pursuing social innovation (Moore, Westley, & Nicholls, 2012). Social enterprises are no longer solely tied to grants and contracts from government agencies or foundations as primary sources of financial support. In between the traditional philanthropy and mainstream investing, "social investments" are pursuing a blended value creation "that combines both an attention to financial return and a focus on social/environmental outputs or outcomes" (Nicholls, 2010, p. 76). Among the different terminologies covered by social investments, impact investing emerges as a "powerful and promising opportunity for social enterprises that are currently undercapitalized, as well as a boost to economic development committed to social and environmental sustainability around the world" (Mendell & Barbosa, 2013, p. 2).

Impact investing

Impact investing is a nascent industry which has not yet attracted much scholar study. A first academic review performed by Höchstädter and Scheck (2014) highlights the absence of a uniform definition and a clear understanding. Nevertheless, a high level of agreement anchors impact investing around "two core elements: non-financial impact, typically in the form of social and/or environmental impact, and financial return, which requires at least the preservation of the invested principal but can allow for market-beating returns" (Höchstädter & Scheck, 2014, p. 12). It is noteworthy that non-financial impact – i.e. societal impact – is meant to be intentional, that is to say, not an incidental side-effect of an investment. On the debate about the balance between financial and non-financial returns, the strategy of an impact investor is considered to be at his or her own discretion, while a segmentation could classify him or her in finance-first or impact-first investors (Freireich & Fulton, 2009, p. 31; Joy, de Las Casas, & Rickey, 2011, p. 11).

Impact investors are quite diverse and can range from Development Finance Institutions (DFIs), privately managed funds, foundations, or diversified financial organizations and banks (Saltuk et al., 2014). Asset classes and financial instruments mobilized by investors appear to be quite large, with a predominance of debt, equity, guarantees, and deposits

(Höchstädter & Scheck, 2014). Impact investments will focus on ventures, mostly in emerging or developing countries, active in a wide range of sectors including agriculture, clean technology and energy, education, healthcare, financial services and microfinance, housing, or water. These investees appear to be predominantly in a post-venture stage (i.e. growth or mature stage), therefore testifying to a proven track record that shall limit the risks for the investors (Saltuk et al., 2014). In that sense, impact investing differs from or “goes beyond” Socially Responsible Investment (SRI) by the fact that the former primarily targets small investees that are not publicly listed and would include a greater proactiveness to solve social or environmental stakes (Höchstädter & Scheck, 2014). The centrality of the societal impact purpose of such investments requires the investors to track and measure this specific value creation at the investee level. However, an often cited and important limitation of the industry resides in the fact that there is a “lack of internationally agreed accounting standards for such capital flows” (Nicholls, 2010, p. 93).

Measuring impact performance

The concept of impact monitoring and evaluation primarily emanates from development aid in humanitarian and public sectors. It has been well studied and practiced especially by development cooperation agencies and philanthropists considering their responsibility or objectives to contribute to public interest and social welfare. The term impact is defined as the “Positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended” (OECD, 2002, p. 24). Central to this concept of impact evaluation is the notion of counterfactual: the scenario or situation in the absence of a development intervention. Specifying counterfactual permits us to identify the actual contribution of an intervention in the long term. More recently, social impact evaluations have also regained interest in the promotion of experimental techniques such as randomized control trials (RCTs) (Duflo & Kremer, 2003). However, such impact evaluations and methodologies require high costs, human resources, and time that may not be supported by social enterprises (Hulme, 2000).

Social impact measurement has gained interest among social innovation practitioners, whether they are oriented for-profit or not-for-profit. More specifically, social enterprises are frequently mobilized on this topic in order to update their boards of directors in the achievement of their social mission, appease their investors willing to control the use of the funds, or guide their management team concerned with improving its activities (Stievenart & Pache, 2014). Despite the proliferation of hundreds of competing methods for calculating social value, social enterprises struggle to put them into practice (Mulgan, 2010). Besides the ex-post impact evaluations aimed at assessing the long-term effects of the activities of a social enterprise, one can characterize two other types of impact measurement approaches

(Olsen & Galimidi, 2008; Tuan, 2008): ex-ante decision-making approaches such as cost-benefit and cost-effective analyses aimed at rating funding allocations and on-going performance monitoring approaches aimed at understanding the induced social changes. On the latest, Mair and Marti (2006, p. 42) urge to make major efforts to “quantify” the performance and “to develop useful and meaningful measures that capture the impact of social entrepreneurship and reflect the objectives pursued.”

While impact investors go beyond financial value creation, they must also develop new impact measurements. This would improve the transparency of the reporting of social investees' performance, enhance their accountability towards stakeholders, and provide better data for capital allocation decisions within the social finance market (Antadze & Westley, 2012). Impact investors are adopting different impact measurement approaches such as rating systems (e.g. Global Impact Investing Rating Systems, GIIRS), certification or assessment systems (e.g. BCorp) or performance management systems (e.g. Impact Reporting & Investment Standard, IRIS) (Mendell & Barbosa, 2013; Olsen & Galimidi, 2008). The agreement on standardized performance impact metrics has been reported by practitioners as an important factor to develop the impact investing industry (Saltuk et al., 2014). As such, the Global Impact Investing Network (GIIN), a not-for-profit organization dedicated to increasing the scale and effectiveness of the impact investing industry, promoted the use of the IRIS. IRIS is defined as a “catalog of generally-accepted performance metrics” (GIIN, 2015). IRIS rather describes societal outputs or outcomes in different sectors of activities than long-term impact evaluations per se. In that sense, Geobey, Westley, and Weber (2012) argue that building such meaningful and multidimensional measures represents an incremental innovation for investors while still having the potential to create transformative outcomes. The survey of Saltuk et al. (2014) on 125 impact investing funds reports for a large adoption of IRIS, promising that the tool will become a standard according to its proponents (Bouri, 2011).

2.2. Institutional and resource dependence perspectives on pressures

Neo-institutional theory

Institutional theory argues that relationships among organizations and the fields in which they operate are influenced by their institutional environment. An institution can be defined as “relatively widely diffused practices, technologies, or rules that have become entrenched in the sense that it is costly to choose other practices, technologies, or rules” (Lawrence, Hardy, & Nelson, 2002, p. 282). Earlier neo-institutional theorists emphasize the coercive, mimetic, and normative pressures of an institution that shapes somewhat predictable business practices. These pressures lead to isomorphism between organizations (DiMaggio & Powell,

1983; Meyer & Rowan, 1977). Such isomorphism, which corresponds to integrating taken-for-granted values, beliefs, norms, and practices, will in turn protect the organization from having its conduct questioned. This would help organizations gain legitimacy, that is the recognition of a socially desirable, proper, or appropriate status (Suchman, 1995). Meyer and Rowan (1977, p. 349) argue further that “institutional isomorphism promotes the success and survival of organizations”. This approach is well suited, however, for a fully institutionalized field that has a clear institutional logic.

Institutions are dynamic and subject to change. Multiple institutional logics – that are the organizing principles that shape the behavior of field participants – might influence organizations simultaneously (Thornton & Ocasio, 2008). These multiple logics can co-exist and sometimes compete, leading to complexity (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011). An example of competing institutional logics is provided by Tan and Wang (2011) for multinational enterprises facing different ethical pressures from the parent and host countries where they operate. Similarly, Westermann-Behaylo, Berman, and Van Buren (2014) study the multiple logics in corporate responsibility that affect the relationship between the firm and its employees. These both studies describe arrangements performed by the firms to ensure their operations. Under such institutional change, co-existing logics might therefore give birth to a new hybrid version of the previous dominant logics (Arjalies, 2013; Thornton, Jones, & Kury, 2005).

Hybrid institutions and organizations

A “hybrid” organization is an organization that embodies multiple institutional logics. Recently, researchers mobilized an institutional perspective to examine social innovation (Dacin et al., 2011). Several scholars describe social enterprises as hybrid organizations in the sense that they combine social welfare and commercial logics (Battilana & Dorado, 2010; Pache & Santos, 2010, 2013; Tracey, Phillips, & Jarvis, 2011). Battilana and Dorado (2010) describe specifically microfinance organizations as hybrid entities that “combined two previously separated ‘logics’: a *development* logic that guided their mission to help the poor, and a *banking* logic that required profits sufficient to support ongoing operations and fulfill fiduciary obligations.” Similarly, we argue that impact investing funds are hybrid organizations that combine a development logic and an investment logic. Impact investing funds will predominantly invest equity or debt in social enterprises or ventures, who themselves are facing multiple logics in order to tackle social issues such as poverty. The organizational field of social innovation thus extends to integrating these relatively new impact investing funds that support the development of social enterprises or micro-finance organizations. As a nascent type of organization, impact investing has not been significantly addressed in the literature.

Most of the cited authors referring to social enterprises as hybrid organizations describe the simultaneous combination of conflicting logics. A new institutional logic that is a hybrid version of the previous multiple logics can produce an institutional change (Jay, 2013; Thornton et al., 2005). In that sense, Reay and Hinings (2009) argue that competing logics can co-exist and that developing collaborative relationships helps to manage the rivalry between these logics. Collaboration has also been identified by Lawrence et al. (2002) to help create “proto-institutions”. The authors define proto-institutions as “practices, technologies, and rules that are narrowly diffused and only weakly entrenched, but have the potential to become widely institutionalized” (Lawrence et al., 2002, p. 283), or in other words as institutions in the making.

Coming back to our organizational field, Nicholls (2010) describes the institutionalization process of the social investment sector and thus impact investments. Mobilizing neo-institutional theory, Nicholls (2010) highlights the multiple, contradictory, or ambiguous institutional norms and logics that different types of social investors need to manage. Social investment logics would be positioned between financial- and societal-maximization. The investors are rather driven by the values of their investments, by their means to reach an end, or by blending both in a “systemic” rationality (Nicholls, 2010). Moore et al. (2012) also highlight that “In social finance, two quite distinct – and historically incompatible – traditions of capital allocation have come together in the new hybrid institutions and logics.” We further argue that the Global Impact Investing Network (GIIN), which is an association acting as a professional one, permitted to theorize an institutional change in the sense of Greenwood et al. (2002) by structuring the impact investing industry from a predominantly investing institution. To that end, the GIIN promotes the definition of impact investments as “investments intended to create positive impact beyond financial return” (O'Donohoe et al., 2010, p. 5), thus building beliefs and a common strategy. The organization also encourages the adoption of societal performance monitoring practices through the creation and promotion of the IRIS catalog of societal impact metrics (Höchstädter & Scheck, 2014), which is part of our institutional logic.

Theoretical perspectives on responses to pressures

Earlier understandings of the neo-institutional theory suggested that pressures to enact isomorphism and conformity could be overcome by organizations through decoupling (Meyer & Rowan, 1977). When decoupling, firms give only ceremonial or symbolical commitment to institutional pressures without adopting their required practices. This permits organizations to keep their values and beliefs unchanged. More recently, studies attempted to predict the responses of organizations facing multiple conflicting logics (Reay & Hinings, 2009). Studies focusing on the social innovation field and more specifically on microfinance organizations

(Battilana & Dorado, 2010), social enterprises (Tracey et al., 2011), or social integration enterprises (Pache & Santos, 2013) highlight a combination or an adoption of both intact logics rather than decoupling. According to Battilana and Dorado (2010), having no prior experience with a logic would be a prerequisite in an organization for blended hybridization.

While institutional theory focuses on the external logics being exerted on the organization, the influence of these logics are also linked to the control that its proponents have over the resources of the organization (Greenwood et al., 2011). Resource dependence theory (RDT) is based on the notion that “all organizations critically depend on other organizations for the provision of vital resources, and that this dependence is often reciprocal” (Drees & Heugens, 2013, p. 1667). Recent writings have also highlighted that conformity might have been exaggerated and that factors such as agency, choice, proactiveness and self-interest can lead to a variety of responses to institutional pressures (Jamali, 2010; Oliver, 1991; Tan & Wang, 2011). In their meta-analysis of 157 articles on RDT, Drees and Heugens (2013) validate the theory that was initially formulated by Pfeffer and Salancik (1978): organizations respond to resource dependencies from external actors by forming inter-organizational arrangements, which in turn strengthen the organizational autonomy as well as its legitimacy. Research on hybrid organizations has not devoted much attention to a resource dependence perspective and the associated arrangements that such actors could develop.

Therefore our article aims at addressing impact investing as hybrid organizations evolving in an institution in the making through a neo-institutional and a resource dependence theory perspective. We further propose to study the responses of such hybrid organizations that primarily rely on an investment logic while integrating a development logic to pursue their societal purpose.

2.3. Theoretical framework: Strategic responses to institutional pressures

Five strategic responses

Drawing on resource dependence and institutional arguments, Oliver (1991) proposes a detailed typology of strategic responses available for organizations facing institutional pressures. These include Acquiescence, Compromise, Avoidance, Defiance and Manipulation. Figure 1 sorts these strategic responses from passive conformity to proactive resistance.

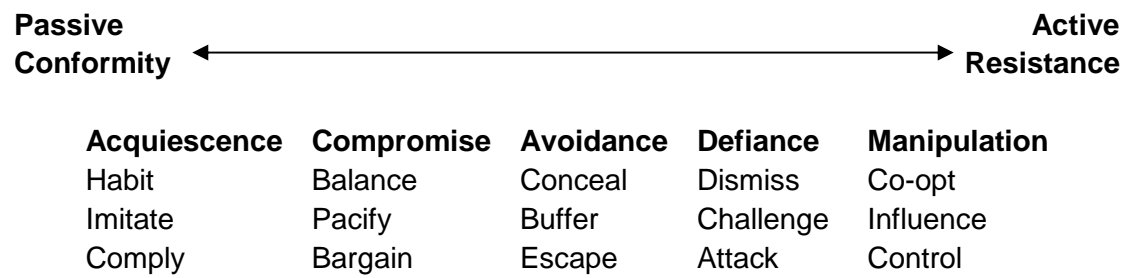


Figure 1. A repertoire of responses to institutional pressures (adapted from Jamali, 2010)

The most passive response, **acquiescence**, refers to the adoption of institutional logics and values. Such a response will be pursued through the habit of taken-for-granted norms, the imitation of institutional models, or the compliance to institutional requirements. **Compromise** refers to a partial conformity with institutional requirements. Organizations will balance the multiple expectations through negotiation, pacify some of the institutional pressures, or bargain demands from institutional stakeholders. **Avoidance** refers to the attempt by organizations to preclude the necessity of conformity or to circumvent the conditions that make this conformity necessary. Organizations will try to conceal their nonconformity, buffer themselves from institutional pressures, or simply escape institutional rules and expectations. A more active response, **Defiance**, refers to an explicit rejection of at least one of the institutional pressures. Organizations achieve this by dismissing or ignoring specific institutional logics, by challenging the rules and requirements, or by explicitly attacking or denouncing the institutional values and its promoters. Finally, **manipulation** refers to the most active attempt to change or exert power over the requirements that themselves or the institutions express and enforce. Manipulation tactics include co-opting the source of the pressures, influencing the definition of the norms through lobbying, or even controlling the organizations that are the sources of the pressure.

Five institutional antecedents

In order to characterize the institutional contexts and conditions under which organizations will embrace or resist institutionalizations, Oliver (1991) outlined five antecedents. These predictive dimensions include the Cause, Constituents, Content, Control and Context of the institutional pressures. Table 1 illustrates the degree of each of these institutional antecedents as a prediction of strategic responses adopted by organizations.

Table 1. Institutional antecedents and predicted strategic responses (adapted from Oliver, 1991)

Predictive Factor	Acquiesce	Compromise	Avoid	Defy	Manipulate
Cause					
Legitimacy	H	L	L	L	L
Efficiency	H	L	L	L	L
Constituents					
Multiplicity	L	H	H	H	H
Dependence	H	H	M	L	L
Content					
Consistency	H	M	M	L	L
Constraint	L	M	H	H	H
Control					
Coercion	H	M	M	L	L
Diffusion	H	H	M	L	L
Context					
Uncertainty	H	H	H	L	L
Inter-connectedness	H	H	M	L	L

L = Low, M = Moderate, H = High

Cause of institutional pressures typically answers why they are being exerted. It studies the rationale or intended adequacy of the organization with a social legitimacy and an economic efficiency. Institutional **constituents** identify who is exerting the pressures. It examines the multiplicity of the actors imposing the pressures as well as the dependency of the organization on them. The **content** captures what these pressures are. It considers the consistency of the pressures with the organizational goals and the discretionary constraints imposed on the organization. **Control** clarifies how or by what means pressures are exerted. It looks at both the legal enforcement and the voluntary diffusion of norms. Finally, the institutional **context** explains where the pressures occur. It explores the uncertainty and the interconnectedness of the environmental context within which institutional pressures are exerted.

Pache and Santos (2010) mobilize Oliver's typology of strategic responses to study institutional pressures that are exerted upon hybrid organizations. However, their study does not carefully track the variations in the ten dimensions of Oliver's antecedents. They argue that the predictive power of Oliver's model is quite low when it comes to specifying responses to conflicting institutional logics exerted on the hybrid organization (Pache & Santos, 2010). We aim at opening the discussion one stage further, i.e. when a hybrid organization such as an impact investing fund faces the pressures from an institution in the making. Therefore our paper considers that the co-existing logics they are facing are no longer necessarily antagonists. Relying on Greenwood et al. (2011, p. 352), the objective of our study is a first step to "learn whether organizations experiencing enduring and stable

institutional complexity develop blended hybrid arrangements that, over time, become institutionalized *within* the organization and thus uncontested ‘settlements’.” This is in line with Moore et al. (2012) calling for a new research agenda exploring social finance that would examine its institutional antecedents and contexts as well as “explore hybridity and seek to understand how such blended logics reproduce or challenge existing institutional structures” (Moore et al., 2012, p. 127). Our research aims at filling these gaps.

3. RESEARCH CONTEXT AND METHODOLOGY

3.1. The case of Energy Access Ventures Fund

Schneider Electric Access to Energy program

This case focuses on an impact investing fund that emanates from Schneider Electric, a leading French multinational enterprise in energy management. The company evolved to position itself as a solution provider for utilities and infrastructures, industries and machine manufacturers, non-residential buildings, data centers and networks, and the residential sector. The company employs more than 150 000 people worldwide, reaching a turnover of 24 billion Euros in 2013, for which developing economies represented 43%. Inscribed in the company’s strategy, the Sustainable Development direction initiated an Access to Energy program in 2009 (André & Ponssard, 2015). This “Base of the Pyramid” (BoP) initiative aims at promoting access to energy for low-income populations in Africa, India and South-East Asia (Vermot Desroches & André, 2012). The Access to Energy program combines three business and philanthropic approaches:

- An impact investing fund, Schneider Electric Energy Access (SEEA), financially supports the development of small and medium enterprises (SMEs) in the field of access to energy and job integration;
- An offer creation team develops a specific portfolio of products and solutions. A business development team deploys them to commercially meet the means and needs of BoP populations that lack access to modern energy;
- A training team sponsors the creation of vocational training, through the financial support of the company’s Foundation, in order to develop long-term regional competencies in electricity trades.

Since its launch, the Access to Energy program testifies for having invested in twelve SMEs; provided energy to more than 2.3 million households; and created almost 40 training programs in energy management reaching more than 62,000 people (Schneider Electric, 2015a).

Energy Access Ventures Fund

In late 2011, Schneider Electric capitalized on its experience with the SEEA fund to initiate the creation of a second bigger impact investing fund, called Energy Access Ventures Fund (EAVF). EAVF stipulates in its legal document that it has “a unique positioning” in the energy sector: “between Traditional pure private equity funds, targeting high investment returns and mainly investing in emerging markets; and Venture philanthropists and foundations, prioritizing social impact over financial return” (EAVF, 2015, p. 3). It further positions itself as a hybrid organization and defines itself as being “an impact private equity fund with a double objective: (i) generate a financial return for its investors between 6% and 10% net of management fees and (ii) complete investments with a measurable social impact on local communities” (EAVF, 2015, p. 3).

While SEEA cumulated total assets of € 4 million and invested in 12 companies in late 2014, EAVF succeeded in aggregating a total of € 54.5 million at the date of its closing in early 2015 (Schneider Electric, 2015b). Schneider Electric – the sponsor company – invested 30% of the total assets of EAVF alongside four Development Finance Institutions (DFIs): the UK’s CDC Group (30%), the European Investment Bank (EIB – 18%), the French Global Environment Facility (FFEM) and PROPARCO (12%), and the OPEC Fund for International Development (OFID – 9%). EAVF is composed of three entities: the Energy Access Fund that receives the capitalization; its management company Aster Capital Partners, a portfolio management company specialized in private equity; and the advisory company Energy Access Ventures, in charge of the screening, the due diligence, the monitoring and the exit of investments. Figure 2 depicts the organizational structure of EAVF at the date of its closing in February 2015.

Institutionalization of Impact Investing

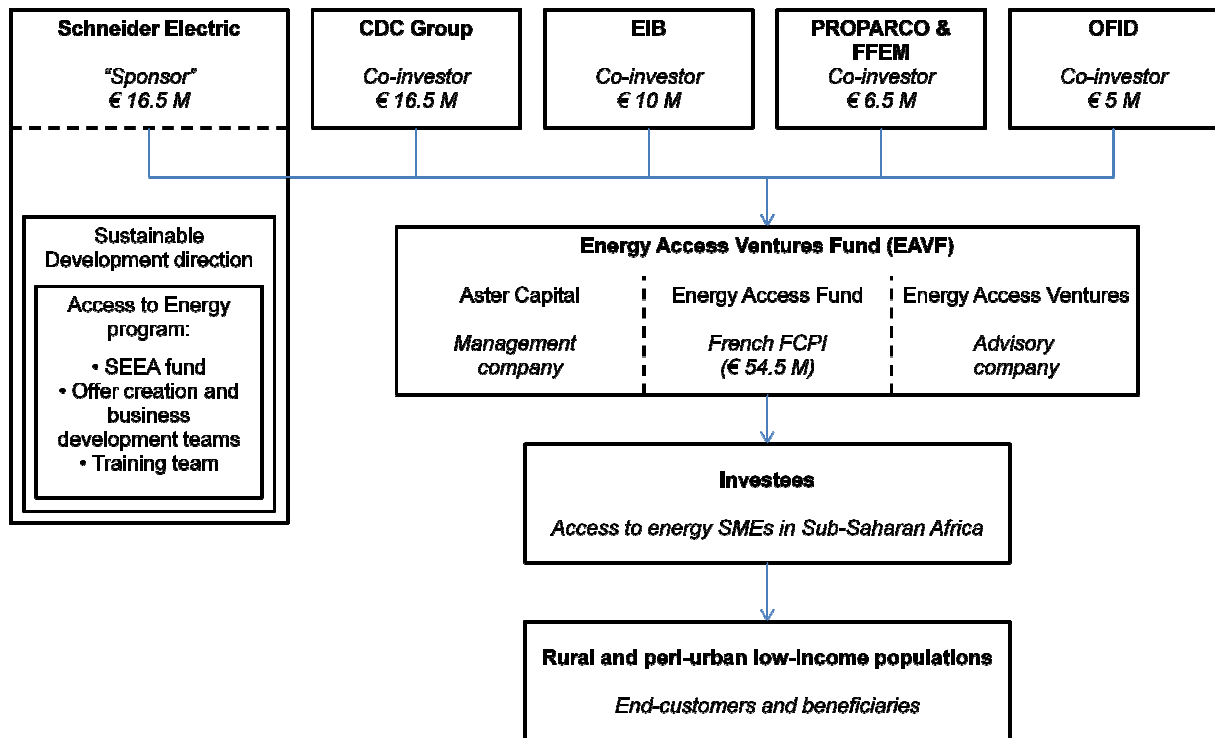


Figure 2. Organizational structure of EAVF as of February 2015

The strategy of EAVF can be described following the framework for impact investors provided by Höchstädter and Scheck (2014). On the **demography and geography** dimensions, the fund will focus on ventures targeting low-income (i.e. BoP) populations in Sub-Saharan Africa. The fund will start “in East Africa before expanding to other African countries” (EAVF, 2015, p. 3). On the **organizational processes** dimension, the fund intends to create economic and societal value for the beneficiaries through the investees’ business operations. The **sector** dimension of the fund is primarily addressing off-grid rural electrification. Targeted ventures will be involved in manufacturing, distributing, selling, renting, installing, maintaining, financing or owning power generation systems, micro-generation infrastructures, “energy kiosks”, fleet of batteries, or any other activities linked to electricity. On the **impact objective** dimension, EAVF clearly “plans to provide reliable electricity access to at least 1,000,000 low-income beneficiaries, in rural and peri-urban areas” (EAVF, 2015, p. 3). On the **financial and organizational structure** dimension of the recipients of the investments, the fund will primarily target non-listed small and medium size enterprises (SMEs) that are recognized as falling in the “missing middle”, lacking access to traditional finance. Finally, on the **asset classes and financial instruments** dimensions, EAVF will “mainly invest in equity, quasi-equity or, to a lesser extent, long term debt instruments” (EAVF, 2015, p. 4). EAVF intends to be a minority shareholder investing up to 33% in the investees with investments ranging from € 500K up to €4,000K per company.

EAVF undergoes both an institutional pressure, combining societal and profitability performance requirements due to its status of impact investing fund, and a resource dependency with its own investors, namely Schneider Electric and the four DFIs. The latter imposed requirements on EAVF to develop procedures and tools to specifically manage its developmental impact.

Societal Management Procedure of EAVF

EAVF developed a triple bottom line accountability procedure in order to better understand the changes and impacts related to its interventions towards its portfolio companies and their environment. This Societal Management Procedure (SMP) is composed of two parallel methodologies as depicted in Figure 3. First, an Environmental, Social and Governance (ESG) management system aims at assessing and mitigating risks. Secondly, an Impact Performance Monitoring (IPM) system aims at understanding, capturing, and improving the social and environmental benefits of the investees' activities. Those two parallel approaches, embedded in every steps of the investment procedure, lead to the definition of specific technical assistance on societal dimensions provided to the portfolio companies. The DFIs which invested in EAVF also committed an additional € 2.4 million to finance technical assistance.

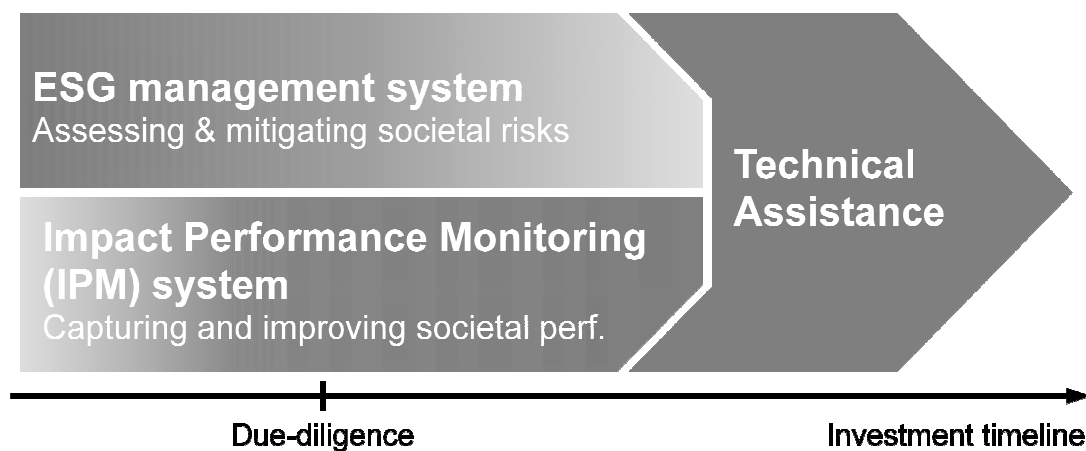


Figure 3. Societal Management Procedure (SPM) of EAVF

Screening Environmental, Social and Governance criteria has been popularized by the Socially Responsible Investment (SRI) industry. EAVF adopted the CDC Group toolkit for fund managers (CDC Group, 2010), which is recognized as a reference standard for investment funds active in developing countries. ESG management systems review each investees' social criteria (e.g. working conditions, H&R management, impact on local communities), environmental criteria (e.g. visual impacts and noise, waste and effluents, air emissions, energy efficiency, water consumption), and governance-related criteria (e.g. business integrity and good corporate governance).

As for the Impact Performance Monitoring system, the fund had to develop its own methodology as no explicit tools were available neither in the impact investing industry nor in the energy access sector. EAVF developed an IPM system aimed at tracking the changes induced by an investment, i.e. focusing on the inputs, activities, and outputs/outcomes – as defined by OECD (2002). The IPM tool relies on a matrix of about forty key performance indicators gathered in a spreadsheet. Most of the indicators come from the IRIS catalog (GIIN, 2015) to ensure standardization and ease of sharing of results with the fund's investors and stakeholders. The tool is then adapted in accordance with EAVF's co-investors for each portfolio company in order to better fit with the specificity of their activities. An annual assessment of the investees' activities reviews their social outcomes related to the promotion of access to energy as a basis for development; their economic outcomes in developing local economic activities; and their environmental outcomes related to the mitigation of the impact of the company on the environment.

The requirement to adopt a societal management procedure implies that the EAVF team must dedicate a significant amount of time to assessing, reviewing, and reporting the societal performance of its investments. Meanwhile, the EAVF team raised some operational limitation concerns based on their previous experience in impact investing. All those aspects were negotiated with their investors prior to the final closing of the fund.

3.2. Action Research and case study methodology

The research question of how an impact investing fund can respond to the pressure to conform to societal performance management originates from a doctoral collaboration with Schneider Electric. In September 2011, the author initiated an applied research with the Sustainable Development direction, which focused on the company's concern about managing extra-financial benefits of its "Base of the Pyramid" program. At that time, the Access to Energy program was already running the SEEA fund. A few months later the company took the decision to build a second external impact investing fund that would become EAVF. The research collaboration permitted to the author to share his time with the team and thus develop an "insider" position (Brannick & Coghlan, 2007). In that sense, I benefited from an "active member" status and assumed "a functional role in addition to the observational role" (Adler & Adler, 1987). My position facilitated building "trust and acceptance of the researcher" (Adler & Adler, 1987) and gave me the ability to get into the organizational system, to take part in the meetings, and to influence decisions related to the research partnership. A governance mechanism aimed at avoiding a potential interpretation bias related to the insider position of the researcher, who is said to have an underlying social, economic, or even ideological motivation. Twice a year, a steering committee of the research

Institutionalization of Impact Investing

partnership was permitted to review the progress of the research, to discuss its learning, to adapt research activities, and to validate the next steps.

On the methodological side, the paper is grounded in an action-research. A common definition has been provided by Rapoport (1970): “Action research aims to contribute both to the practical concerns of people in an immediate problematic situation and to the goals of science by joint collaboration within a mutually acceptable framework” (p. 499). As a researcher, the author contributed to generating the phenomenon that is intended to be analyzed through his research activities. The action-research collaboration with the Sustainable Development direction followed the cyclical process described by Susman and Evered (1978). The cycle was aimed at building the societal management procedure of the new impact investing fund. It started in January 2013 and lasted two years until the closing of the fund. Figure 4 depicts the cyclical process of the action-research.

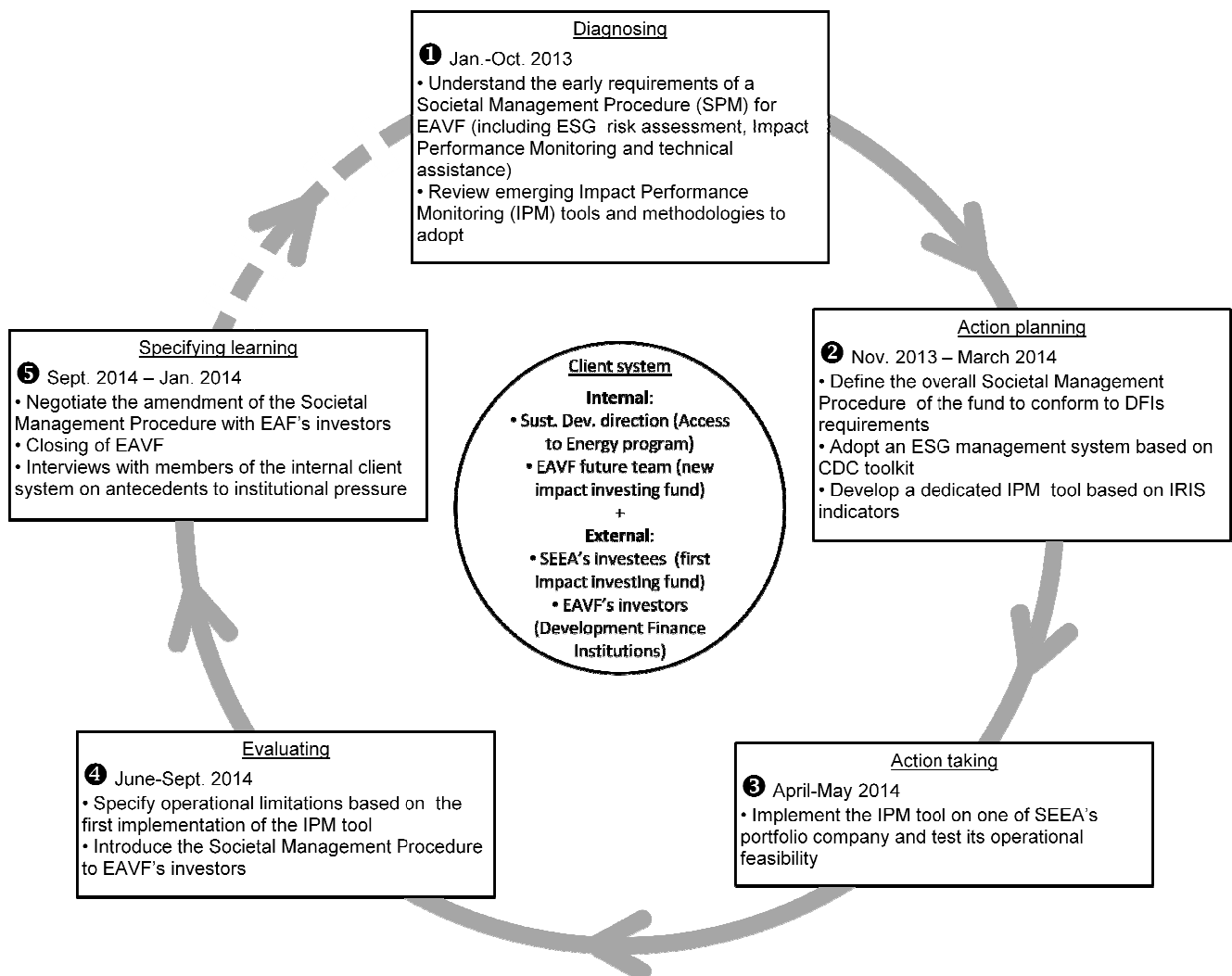


Figure 4: the cyclical process of action-research

The cyclical process of the action-research started with the understanding of the need for a new impact investing fund to integrate a societal management procedure within its investment procedure. This preliminary question rose with the anticipated requirements from Development Finance Institutions (DFIs) that could become the co-investors of the fund alongside Schneider Electric. A review of the stakes for an impact investing fund to manage its societal value creation highlighted the requirement to adopt an ESG management system and to develop a specific Impact Performance Monitoring (IPM) system related to the mission and the sector of the fund. The IPM tool would permit the investment managers to estimate ex-ante the societal benefits of a potential investee, to track the fund's societal performance from its actual investment until the exit and to report to their own investors and community at large. Once the IPM tool had been designed, a first experimentation was conducted with one of the portfolio companies of the first fund, active in Uganda. Based on the theoretical methodology and the learning of the experimentation, the fund managers presented the overall procedure to its potential investors. Negotiations started from this point in order to take into account the requirements of the funds' potential investors while remaining operationally pragmatic for the future managers of EAVF and for its investees.

The remaining of the paper is built on an in-depth case study methodology (Eisenhardt & Graebner, 2007; Yin, 2009) that focuses on the perceived antecedents from EAVF on the strategic responses to the institutional pressures to conform to societal performance management. The case study is exploratory (Yin, 2009). Hypotheses and data were either directly obtained or created through exchanges with the client system (Susman & Evered, 1978). Throughout the different phases of action-research, methods of data collection included the study of internal documents, the production of research notes and presentations, and the development of EAVF procedures. An important time was dedicated to informal exchanges with members of both the Sustainable Development direction and the EAVF future team and for which minutes were written down in a research logbook. The methodology also relies on participatory and deliberative meetings gathering members of both the internal and external client system. Each meeting's purpose was structured and submitted ex-ante to participants and the discussions were synthesized and collegially shared ex-post. These notes aimed at generating knowledge with the client system, especially during the negotiation phase. Finally, five semi-structured interviews were conducted with managers or directors related to EAVF, which allowed for the completion of the analysis based on Oliver's framework. The semi-structured questionnaire is depicted in Appendix 1. A literal transcription of the recorded interviews permitted a consistent use of the data.

4. RESEARCH FINDINGS

The following part describes the managerial perceptions of institutional antecedents of adopting a Societal Management Procedure. All participants of this research adhered to a combination of adopting an existing ESG management system from the CDC group and developing a specific Impact Performance Monitoring system mainly based on the IRIS catalog of indicators. Table 2 summarizes the characterization of each of the five antecedents and their predictive factors.

Table 2. EAVF Managerial perceptions (in bold italics) of institutional antecedents of SMP

Predictive Factor	Acquiesce	Compromise	Avoid	Defy	Manipulate
Cause					
Legitimacy	<i>H</i>	L	L	L	L
Efficiency	H	<i>L</i>	<i>L</i>	<i>L</i>	<i>L</i>
Constituents					
Multiplicity	<i>L</i>	H	H	H	H
Dependence	<i>H</i>	<i>H</i>	M	L	L
Content					
Consistency	H	<i>M</i>	<i>M</i>	L	L
Constraint	L	<i>M</i>	H	H	H
Control					
Coercion	<i>H</i>	M	M	L	L
Diffusion	H	H	<i>M</i>	L	L
Context					
Uncertainty	H	H	H	<i>L</i>	<i>L</i>
Inter-connectedness	<i>H</i>	<i>H</i>	M	L	L

L = Low, M = Moderate, H = High

4.1. Perceptions of cause: legitimacy and efficiency

The participation of EAVF in a Societal Management Procedure seems mostly driven by salient legitimacy. Directly linked with its inner societal mission, a respondent stipulates that “The fund has been created to get an impact” and that it is “clearly for this reason that DFIs came as co-investors”. Tracking, reporting and improving its societal impact aim at validating the fund’s societal objective and at promoting its credibility. In the words of one of the managers interviewed, “alignment with this procedure first helps us to make sure that our investees have a positive impact. Then we can report to our own investors that are quite cautious about the developmental role of their assets.” Another participant stipulates that “this procedure will help us to objectify our capacity to deliver societal returns.” Reputation, status, or image has not been stated as a primary concern for EAVF managers. However it is noteworthy that at the origin of this project, Schneider Electric – the sponsor of the fund – inscribed EAVF in the continuity of its CSR strategy and its existing Access to Energy program. In that sense, an investment manager recognized that “this impact investing fund

has been identified by Schneider as an innovative tool to contribute to the development of populations and to position itself as a leading actor in the energy access space”.

The majority of the interviewees questioned the explicit contribution of the SMP to economic gains or economic rationalization. While they have no track record yet to testify for such economic benefits for the investees – and therefore the fund – we might notice two possibilities. On the one hand, societal management systems might imply serious costs and time for a portfolio company in the short term. One manager stipulates that “These are complex procedures that could affect negatively the profitability of the ventures.” On the other hand, portfolio companies could benefit from the SMP reports in the midterm, provided that they testify for a positive societal value creation. In that sense, one of the participants highlights that “access to specific developmental funding, grants or preferred loans will inherently contribute to the financial strength of the portfolio companies”. Similarly, managing and mitigating ESG risks is acknowledged by most of the interviewees to increase the economic stability of the ventures in the long-term.

It is thus fair to characterize the perceptions of these institutional antecedents as high in relation to legitimacy and low in relation to efficiency as illustrated in Table 2.

4.2. Perceptions of constituents: multiplicity and dependence

The actors demanding for the fund to adopt a Societal Management Procedure remain relatively limited to the Development Finance Institutions that invested in it. One of the investment managers stipulates, “At the beginning there was a common aspiration between the DFIs to focus on social impact criteria rather than on the financial return.” While there is no standard for ESG management systems, one of the DFIs suggested using its own toolkit, which diminished the multiplicity of demands from the others. In regards to the Impact Performance Monitoring, the proposal to use the emerging standardized indicators from the IRIS catalog has been well received by the fund's investors. However, most of the interviewees insisted on highly diversified requirements from one DFI to another. Such a multiplicity on the degrees of expectations presented some conflicting expectations in some of the domains of impacts that had to be measured. One of the participants states that “Every DFI has its own societal impact measures and indicators.” He explains further that “There has been a huge work to harmonize each of their requirements and at the end, the reporting is quite heavy.”

It is clear that EAVF dependency to adopt a Societal Management Procedure is fundamental. The creation of a SMP that would meet the requirements of the DFIs appears to be a prerequisite to get their approval to invest in the fund. While there were no alternative solutions to complying with the DFIs requirements, this does not mean that EAVF team

members did not discuss the SMP. However, one manager admits, "we were in a process in which our capacity to negotiate was limited by our own willingness to close this fund." Another participant states further, "Time will tell us if we solely must comply with the demands of the DFIs or if we can resist". Nonetheless, the use of a sufficiently robust ESG management tool and standardized IRIS indicators is acknowledged by EAVF members as being an advantage in terms of legitimacy for future external certification and rating.

Accordingly, the respective perceptions of these institutional antecedents are characterized as low in relation to multiplicity and high in relation to dependence as depicted in Table 2.

4.3. Perceptions of content: consistency and constraints

All the interviewees considered a Societal Management Procedure to be very consistent with the fund's impact mission. Most of them posited that conformity to this demand was a natural extension given their social aspirations. The SMP is fully integrated in every step of the investment procedure, from the initial screening to the exit strategy through the due-diligence phase and the post-investment monitoring. Moreover, the participants acknowledge the consistency of a great majority of the IPM tool indicators with the business activity of their future investees. However, fund's managers considered that some of the requirements of the DFIs lead to a too encumbering procedure. As a consequence, they feared that complex requirements imposed to investees could become counter-productive and potentially hinder their business development activities. One manager characterized it in these terms, "We don't want a venture to be drowning in demands it might consider absurd. As an example, asking a company to track the incomes of each of its customers might be typically difficult or even inappropriate." This is also why the SMP focuses on impact performance indicators up to the outcomes that can be directly measured by the investees rather than evaluating the long-term social impacts per se.

Negotiations took place when EAVF team and its investors had to agree on the final Societal Performance Procedure to adopt. The relatively standard ESG management system that was chosen appeared to be easily incorporated in the fund's activities. On the contrary, the Impact Monitoring Performance system had to be created and then was the focus of most of the discussions. The fund managers agreed with their investors on a compulsory list of key performance indicators that would be assessed periodically for every portfolio company. However, more complex reporting requirements specific to each DFIs remained at the discretion of the fund managers on a bilateral reporting basis. EAVF team also managed to leave the financial and operational responsibility of thorough social impact evaluations to the DFIs, should they be willing to get more accurate long-term studies. As an illustration,

one of the interviewee states: “We are impact investors. We invest in business ventures whose job is not to conduct extensive sociological surveys on each of their customers”. Another participant explains that “the fund will not be accountable for social impact evaluations. The fund will rather provide an analysis field for the DFIs”.

Based on patterns of responses obtained, it is thus possible to characterize the perceptions of these institutional antecedents as moderate in relation to both consistency and constraints as illustrated in Table 2.

4.4. Perceptions of control: coercion and diffusion

The compliance to the Societal Management Procedure, agreed during negotiations, is legally enforced through the contract signed between EAVF and its investors. EAVF team intends to apply and be accountable towards the DFIs for the overall application of the SMP within its day to day investment procedure. In the short to mid-term, the fund has an obligation of means in executing the SMP. It involves reporting on the activities of the investees and the fund respectively on a quarterly and an annual basis. In the long-term, the fund also has an obligation of outcomes, related to its both objectives of financial and societal returns. Not respecting those two obligations might become a reason for the DFIs to stop their periodic disbursements in EAVF when they would require additional assets to invest in new companies. One of the fund’s managers compares the SMP as a “governance tool with all the means of pressures that goes with it, including potential sanctions for instance on our variable compensation.”

While the diversity of methodologies in both ESG and IPM remains relatively low, no regulations require impact investing funds to adopt specific practices. Nonetheless, ESG systems are acknowledged to be diffused in the similar Socially Responsible Investment industry and tend to be applied in the impact investing one. Similarly, the IRIS catalog of indicators serves as a potential standard. One of the participants highlighted that the “diffusion of standards remain relatively low, especially in the access to energy sector.” Dwelling further on the implementation of the SMP, he explains: “we will have to demonstrate its acceptability, we will have to diffuse our practices and by this way we will set a precedent which will serve as a reference in our industry.” It is also in that sense that the investment managers intend to certify their application of the Principles for Responsible Investments (PRI) on the ESG side of the SMP, or to be rated through the Global Impact Investing Rating Systems (GIIRS) on the IPM side of the SMP.

Therefore, we might characterize the perceptions of these institutional antecedents respectively as high in relation to coercion and as moderate in relation to diffusion as depicted in Table 2.

4.5. Perceptions of context: uncertainty and interconnectedness

The emerging procedures and standard indicators for both the ESG and IPM systems are acknowledged by the fund's managers as being relatively stable. Most of the concerns about the uncertainty of their Societal Management Procedure were on the IRIS catalog of indicators promoted by the GIIN. At the time of the final adoption of specific indicators within the IPM system, the IRIS catalog was in its third version. Most of the chosen indicators were slightly modified compared to previous versions of IRIS. One manager states that "the methodology today is not a standard but if it has to evolve it will never be a reconfiguration of our way of thinking."

Inter-connectedness is a salient aspect for the context of the overall Societal Management Procedure of the fund. First, EAVF will always co-invest with other impact investors as defined by its investment rules. This will require aligning its societal management procedure with other funds that are also seeking to mitigate ESG risks and improve the societal performance of their investments. Second, EAVF team will have periodic exchange on the SMP with its investors, and specifically the DFIs. Third, the participants acknowledge that the impact investing industry is still a relatively small community of diverse actors that gather around the GIIN consortium. An investment manager highlights that the adoption of a relatively stringent and demanding procedure constitutes an advantage for anticipating its next evolutions. He further explains, "We will have the capacity to participate in the discussions and influence what will become a norm thanks to our deep experience in the energy access sector but also thanks to the legitimacy that we'll get from complying to the high levels of requirements from the DFIs."

Accordingly, the respective perceptions of these institutional antecedents are characterized as low in relation to uncertainty and high in relation to interconnectedness as illustrated in Table 2.

5. DISCUSSION OF FINDINGS

The research findings of the article attempted to gauge managerial perceptions from EAVF team members to conform to a Societal Management Procedure as depicted in Table 2. Admitting that the qualitative answers to characterize each antecedent might be subjective, it was nevertheless possible to detect rather low or high ranges based on the patterns of answers derived by the participants as well as on their precise rating of each dimension considered as low, moderate or high as illustrated in Appendix 1.

In terms of perception of Cause, the fund was pressured to conform to an SMP mainly regarding salient legitimacy purposes. The fund managers mentioned their personal values

as well as their belief that impact investing in energy access ventures can bring long term positive societal impacts. They also considered that the procedure could hinder the short-term profitability of the investees but acknowledged its long term benefits in terms of economic survival. In relation to perceptions of Constituents, the pressure to conform to an SMP was asked by a relatively low number of actors, namely the four potential investors. The fund's managers had to comply with the DFIs requirements in order to get their approval to invest in EAVF, thus highlighting a high degree of dependency. In terms of perceptions of Content, the fund was pressured to conform to DFIs requirements that were relatively consistent with its internal practices. The diverse requirements were homogenized and integrated into the fund's overall investment procedure but revealed some constraints. EAVF managers negotiated for instance that long-term social impact evaluations would be borne by the DFIs in order to remain solely accountable towards societal performance. Pertaining to perceptions of Control, the pressures to conform to an SMP were exerted through a legal contract, binding EAVF with its investors. The DFIs could stop their periodic investments if EAVF does not comply with an obligation of means and outcomes. The managers considered that anticipating the potential status of standard for the SMP's components would therefore facilitate the fund to get externally certified or rated in the near future. Finally moving onto perceptions of Context, EAVF managers considered the environmental context as quite favorable. Even if the changes in the methodologies that they mobilized in the SMP are not entirely predictable, they remain confident with the relatively high level of requirements they chose to adopt since the beginning. The interconnectedness of the fund within a relatively small community of impact investors will permit EAVF to participate and influence the next evolutions in the industry's institutional logics.

Our findings validate the theoretical framework of Oliver (1991) by challenging the central assumption of institutional theory that predicts passive conformity. They complete the empirical work of Jamali (2010) by identifying empirical conditions under which institutional pressures fail in their predicted effects. In our case study, EAVF did not enact isomorphism per se as no explicit standards were either shared within the impact investing industry or agreed between the fund's investors, namely the Development Finance Institutions. The findings rather suggest that acquiescence appeared first to EAVF as a natural strategic response under institutional antecedents of low multiplicity and high legitimacy, dependence, coercion, and interconnectedness. EAVF managers initially adopted a societal management procedure as a mean to conform to their own beliefs and values, their investors' expectations and the emerging practices of the impact investing industry. In a second phase, EAVF searched for compromise as a strategic response to the DFIs pressures when facing institutional antecedents of rather low efficiency, moderate consistency and constraints and

high dependence and interconnectedness. The requirements of the DFIs to enrich the fund's Societal Management Procedure led to inter-organizational arrangements and negotiations. EAVF managers acknowledged their resource dependence towards the DFIs that somehow limited their bargaining power. The fund's managers discussed the relative complexity of the procedure that could hinder the business development activities of the portfolio companies. However, they recognize that such procedure could grant them legitimacy towards external rating and certifying bodies. Yet the findings also suggest that symbolic conformity can blend in practice with different aspects of resistance – i.e. avoidance, defiance or manipulation – under institutional conditions of low efficiency and uncertainty, and moderate consistency and diffusion.

Beyond solely compliance or isomorphism to societal management pressures, the research findings reveal a potential risk for EAVF managers to avoid the DFIs requirements once they will pragmatically face the operational constraints of investing in social enterprises. This could lead EAVF to adopt a symbolic conformity, or in other words to enact decoupling (Meyer & Rowan, 1977), by giving only ceremonial or symbolic commitment to its societal performance monitoring and reporting requirements. As one of the managers stipulates, “Managing societal performance of the fund would correspond to a full time position that we cannot afford today. Even if we'll get support from partners and investors, at the end we will have to do it on our own. I think that the reality of the field will impose us some shortcuts compared to an ideal implementation of the SMP.” The risk in such decoupling would be to impregnate the fund with a “social identity” in response to institutional pressures from its investors and its stakeholders at large. This would be comparable to a “green washing” attempt as pinpointed by Hamilton and Gioia (2009). MacLean and Behnam (2010) highlight the danger of creating a “legitimacy façade” that enables the institutionalization of misconduct and precipitates a loss of external legitimacy. The findings suggest that the inter-organizational arrangements related to the resource dependency of the fund will, however, continue during its life-time. EAVF managers consider that their tradeoff between legitimacy and autonomy will be facilitated thanks to periodic discussions and renegotiations of the DFIs' requirements.

The research findings also discuss the observation of incompatible institutional demands in social enterprises and hybrid organizations (Pache & Santos, 2010, 2013). We might indeed highlight a conflict – or a delicate balance – between profit and societal value creation objectives for the investment managers. Similar to the fund's hybrid logic, portfolio companies have to maintain both a societal mission and financial profitability. The Societal Management Procedure integrated within the overall investment procedure of the fund consists in a novel form of practices meant to handle such tensions. One manager explains,

“We will have to dedicate significant amounts of time and money to ventures that do not financially outperform, while keeping in mind their capacity to deliver societal impacts. But these resources will never be as high as the ones we will have to dedicate to ventures that ensure the fund to reach its financial objective. Generally speaking, the profits you made on one side can compensate the losses on the other.” In that sense, we could characterize EAVF managers as finance-first investors (Freireich & Fulton, 2009). Nonetheless, the fund’s managers recognize that they embed two logics that are potentially conflicting although not incompatible. As an illustration, one of the fund’s managers explains, “honestly today as being an impact investor, I am considered as a capitalist when I am discussing with NGOs and as an activist when I am discussing with venture capitalists. But we are a new category of players that are capitalists-activists, or the opposite, it’s doesn’t matter. In fact, those are not contradictory opposites.” These findings reveal the actual development of “blended hybrid arrangements” (Greenwood et al., 2011, p. 352) within EAVF that can indeed face conflicting logics but not incompatible ones (Battilana & Dorado, 2010; Reay & Hinings, 2009).

6. CONCLUSION AND FUTURE RESEARCH

Traditional prejudices against case study methods rely on the limited ability to generalize the findings (Yin, 2009, pp. 14-16). We acknowledge that the findings are tied to the impact investing fund we studied. A single case study method however allows the researcher to explore a phenomenon in-depth (Voss, Tsikriktsis, & Frohlich, 2002). Prior theoretical work and empirical observations are lacking for the nascent impact investing industry (Höchstädter & Scheck, 2014; Nicholls, 2010). The paper builds onto a case study methodology and mobilizes strong primary empirical data through action-research, which is particularly well-suited to such new research areas (Eisenhardt & Graebner, 2007). The paper further aims at considering impact investing as a research stream within the social innovation field by relying on the established neo-institutional and resource dependence theories. As initiated by Oliver (1991), the emerging combination of both literatures has been stated as useful in studying the responses of an organization to competing logics (Greenwood et al., 2011).

We wanted to understand how an impact investing fund in its creation phase could respond to societal management pressure. Our findings reveal that the strategic response of the fund consisted initially of acquiesce to institutional pressures (i.e. passive conformity) and turned into searching for a compromise with its investors, namely the Development Finance Institutions. Therefore, our paper reasserts theoretical and empirical evidence for a multiplicity of resistive answers to institutional pressures beyond solely passive conformity (Jamali, 2010; Oliver, 1991). The paper also appears to be a first contribution in studying the

possibility of cycles of responses in a hybrid organization. As highlighted by Greenwood et al. (2011, p. 351), “The sustainability of organizational responses and their alteration and variability across time is a neglected but important theme that deserves serious attention.” As such, we call for further researching the potential feedback effects of future organizational responses on the institution itself once EAVF and other impact investing funds will have sufficient operational track records. A first step would be to look at the way impact investing funds have appropriated in time their societal management procedures and whether they have contributed to the evolution of their institutional logics by communicating or interacting with their own investors, co-investors, and stakeholders at large.

Our findings also address the status of a hybrid organization – within the social innovation field – that faces two dominant and co-existing institutional logics, namely an investment logic and a development logic. Our findings reassert that the development of internal processes within the organization, taking the form in our case of a fully integrated societal management procedure, facilitates the balance between potentially conflicting logics that are no longer considered incompatible (Battilana & Dorado, 2010; Reay & Hinings, 2009). These findings further assert the establishment of impact investing as an institution in the making. The nascent impact investing industry benefitted from the work of a proto-institution (Lawrence et al., 2002) such as the Global Impact Investing Network that promoted its values, beliefs and emerging practices and norms (Höchstädter & Scheck, 2014). Impact investing is therefore suggested to transition towards a fully institutionalized status provided that its practices are sufficiently diffused in the interconnected community of its practitioners.

An important question remains on the capacity of these impact investing funds and their portfolio companies to reach both positive financial and societal performance and to survive in time. Both resource dependence and institutional theories predict that respectively inter-organizational arrangements and isomorphism lead to legitimacy and autonomy (Drees & Heugens, 2013; Meyer & Rowan, 1977; Oliver, 1991). However there is missing evidence on the causality between legitimacy and organizational performance. While Drees and Heugens (2013) found no support for a mediating role for legitimacy towards organizational performance, other studies argued for such a link in other contexts (Baum & Oliver, 1991; Deephouse, 1999). Economics works could further study the complementarities between the various components of societal responsibility and financial performance (Cavaco & Crifo, 2014). This would further enrich and discuss the findings of the first study performed by Evans (2013) on sixteen impact investors, which suggest that contracting strategies enable a strong financial performance without sacrificing impact.

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Appendix 1

Questionnaire on institutional antecedents

Introduction:

We argue that impact investing is evolving in two types of “institutions”: an **investing** and a **developmental** institution, which both entail pressures to adopt specific values, beliefs, norms, rules and practices.

Our research question is to examine “**how an impact investing fund is responding to institutional pressures and more specifically to conform to a Societal Management Procedure (SMP)**”. By SMP we refer to both the ESG management system and the Impact Performance Monitoring system.

To answer this question we will scrutinize the “**antecedents**” of the pressure related to societal performance monitoring. Oliver’s (1991) framework describes 5 antecedents: cause, constituents, content, control and context.

You will be asked you to discuss / dwell on 10 of the antecedents’ dimensions and to characterize them as being low, moderate or high.

Questionnaire:

1. Cause

“Cause” antecedent answers **why the fund is being pressured** to conform to societal management procedure rules or expectations.

- Legitimacy

Please characterize this dimension as **Low, Moderate, High**

Implication of adherence to SMP for the fund's legitimacy, status, or image and prestige? for reputation and risk management in the short and long-term?

- Efficiency

Please characterize this dimension as **Low, Moderate, High**

Implication of adherence to SMP for the bottom line in the short and long-term? for economic gains, economic rationalizations, technical goals/standards, and/or efficiency in the broadest sense?

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2. Constituents

“Constituents” antecedent characterize **who is exerting the pressure** on the fund.

- **Multiplicity**

Please characterize this dimension as **Low, Moderate, High**

Implication of adherence to SMP in terms of patterns of demands or expectation vis-à-vis your fund (i.e. clear expectations/prescriptions, coherent norms, compatible demands)?

Implication of adherence to SMP for patterns of interactions with different national or international actors (please provide example)?

- **Dependence**

Please characterize this dimension as **Low, Moderate, High**

Implication of adherence to SMP for your dependence on various external actors/organizations (e.g. certifying bodies, regulatory agencies, multilateral organizations)?

The discretion or ability afforded to comply with or resist the demand associated with SMP as well as the availability of other alternative standards?

3. Content

“Content” antecedent explains to **what norms or requirements** the fund is being pressured to conform.

- **Consistency**

Please characterize this dimension as **Low, Moderate, High**

The degree of fit between requirements/stipulations of SMP and internal fund vision/goals/interests/and aspirations?

The extent to which the expectations of SMP are compatible with internal logic of operations, technical and economic standards, stewardship goals/aspirations?

- **Constraint**

Please characterize this dimension as **Low, Moderate, High**

Implications of SMP for discretion, latitude and autonomy in decision making in relation to fund-environment relations?

The extent to which your fund has retained control in determining its decisions in key areas addressed by SMP?

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4. Control

“Control” antecedent clarifies **how or by what means** the pressures are being exerted.

- **Coercion**

Please characterize this dimension as **Low, Moderate, High**

The extent to which SMP is considered to be equivalent to the force of law?

The extent to which compliance with SMP is considered to be highly punitive and strictly enforced?

The extent to which compliance with SMP is scrutinized by regulatory agencies?

- **Diffusion**

Please characterize this dimension as **Low, Moderate, High**

The extent to which the norms and expectations of SMP are considered highly diffused, supported, and accepted?

The extent to which the social validity of SMP is by now largely unquestioned, and it has acquired a rule like status in social thought and action?

Views of the number and characteristics of other funds that have adopted SMP, and the extent to which "the contagion of legitimacy" is salient?

5. Context

“Context” antecedent explains **what is the environmental context** within which societal performance monitoring pressures are being exerted.

- **Uncertainty**

Please characterize this dimension as **Low, Moderate, High**

The extent to which the organizational field of SMP is considered highly uncertain, and changes in the field to be rapid and not entirely predictable?

The extent to which there is a perceived need for increased security, stability, and predictability in relation to SMP diffusion patterns and institutionalization?

- **Interconnectedness**

Please characterize this dimension as **Low, Moderate, High**

The extent to which funds adhering to SMP feel inter-connected by values, norms, shared information, relational channels, and coordination mechanisms?

The extent to which adherence to SMP requires coordination and negotiation, regular exchange, and inter-organizational linkages?